

THE SECOND WHEEL THAT DRIVES APEC: THE CRITICAL ROLE AND MANDATE OF ECOTECH IN APEC

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1. Introduction

A new metaphor has recently been created for APEC. For a long time, the three functions of APEC are said to include the support of (a) trade and investment liberalisation, (b) trade and investment facilitation, and (c) economic and technical cooperation. These three functions have become the 'Three Pillars' of APEC, defining its unique existence and activities. In early April 2001, however, a new analogy was made in Beijing that likened the main functions of APEC to two wheels of a bicycle—the front wheel being trade and investment liberalisation and facilitation (TILF), and the rear wheel being the economic and technical cooperation (ECOTECH) ¹ Since then this new metaphor has been mentioned in many subsequent APEC-related meetings. ² It has obviously improved upon the original "Three Pillars" concept of APEC for its dynamic forward movement, and a better sense of balance between trade and investment liberalisation and facilitation, and economic and technical cooperation.

However, while this development can be seen as part of the efforts to enhance the status of ECOTECH in APEC, there are many more developments that are required to truly push ECOTECH onto a higher ground of official and popular recognition in APEC. In this short paper, I would like to discuss some of these developments or changes that are required. But before I come to that point, Section 2 of this paper deals with past achievements of APEC on its ECOTECH matters and the reasons behind these achievements. Section 3 discusses forthcoming changes and expectations that

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¹ Such analogy was made by Mr. Wang Guangya, the 2001 Chair of the Senior Official Meeting (SOM) in his opening remark at the Policy Dialogue Meeting on ECOTECH organised jointly by the Foundation for Development Cooperation (FDC) and the Chinese National Committee for PECC in Beijing on April 19, 2001.

² For example, it was discussed in both the second and third meetings of the Economic and Technical Cooperation Subcommittee (ESC) in 2001. See, 2001 ECOTECH Report.

may give the APEC forum that handles ECOTECH matters its new enhanced status.³ Finally, Section 4 concludes with some observations on future success of APEC as a result of these new developments.

2. Past Achievements in ECOTECH Matters

By now ECOTECH is a well-known acronym in APEC. What is not well known, however, is what ECOTECH achievements are in the APEC process. The ECOTECH agenda is run by the SOM Subcommittee on ECOTECH or ESC. According to the Terms of Reference for the ESC, this subcommittee will assist the SOM in coordinating and managing APEC's ECOTECH agenda, as well as identifying value-added initiatives for cooperative action. The main objective of the ESC as stated in its TOR is:

“...to advance more effective implementation of the APEC's ECOTECH agenda by consulting with and integrating the efforts of various APEC fora through a results-oriented, outcomes-based approach which benefits all member economies; providing a policy management tool for strengthening and streamlining APEC's work; and providing guidance on possible actions which could be undertaken to achieve APEC ECOTECH goals, namely:

- to attain sustainable growth and equitable development in the Asia- Pacific region;
- to reduce economic disparities among APEC economies;
- to improve the economic and social well-being of the people; and
- to deepen the spirit of community in the Asia-Pacific.”

The story about the origin and development of the ESC could be found elsewhere.⁴ It is sufficient to say here that up until 2001, the achievements of the ESC had been modest. During 1999 and 2000, the ESC has succeeded in completing the following tasks:⁵

- examined and reported on the 220 ECOTECH projects that were on-going or completed in 2000 with assistance from the APEC Secretariat;
- evaluated completed HRD ECOTECH projects;

³ At present the main body that handles or manages ECOTECH matters within APEC is the SOM Subcommittee on Economic and Technical Cooperation (ESC). The structure of this subcommittee may change with the new enhanced status.

⁴ See, for example, Medhi (2000), Medhi (2001a, and 2001b).

⁵ This information is obtained from the website of the APEC Secretariat based in Singapore. See, <http://www.apecsec.org.sg>

- reviewed the implementation of Part II of the Osaka Action Agenda;
- monitored and reported on the implementation of projects/activities that flowed from the Kuala Lumpur Action Programme on Skills Development and the APEC Agenda for Science and Technology Industry Cooperation into the 21st Century endorsed by APEC Leaders in Kuala Lumpur, Malaysia in 1999;
- established a system of focal points (coordinators) to review progress in the implementation of the six priority ECOTECH themes under the 1996 Manila Declaration. In 2000, the ESC reported on the themes relating to Capital Markets, Economic Infrastructure and Sustainable Development;
- reported on the implementation by APEC fora of its Guidance on Strengthening Management of APEC ECOTECH Activities;
- proposed refinements to the ECOTECH Weighting Matrix, that was designed to provide APEC fora with a better appreciation of the overall ECOTECH priorities, including desired project outcomes; and launched the ECOTECH Clearing House (<http://www.apec-ECOTECH.org>)- a website that indexes all relevant information on APEC ECOTECH activities. The Clearing House also facilitates the exchange of information between potential partners in ECOTECH activity, in particular the identification of ECOTECH requirements and the capacity to provide appropriate expertise to meet those needs.

The year 2001 could be seen as a watershed year for the resurgent role of ECOTECH in APEC. Many outstanding events had happened this year compared to previous years. Apart from routine activities of surveying and assessing ECOTECH projects undertaken by various Working Groups and other APEC fora, and monitoring activities related to given initiatives, the ESC was involved in three major accomplishments on ECOTECH matters in 2001. These three major accomplishments are as follows:

(a) The Updating of Part II of the Osaka Action Agenda⁶

⁶ For those who are unfamiliar with this Osaka Action Agenda, it is a policy document agreed upon by APEC Ministers at Ministerial Meeting in Osaka in 1995. Part I of the OAA is about measures to promote trade and investment liberalisation and facilitation; Part II is about economic and technical cooperation activities divided along the line of existing APEC working groups (for example, on human resources development, tourism, telecommunications, energy, and so on).

Building on the success of the review of Part II of the Osaka Action Agenda in 2000 where APEC Working Groups and other fora were asked to determine what ECOTECH activities had been accomplished since 1995, and whether there was a need for its revision, the APEC Ministers in their meeting in Brunei in November 2000, tasked the ESC to develop further the Joint Activities/Dialogue sections of the OAA guidelines. This task became known as the updating of Part II of the OAA where Lead Shepherds of all existing and new Working Groups were asked to update their work programs and activities based on the original Common Policy Concepts (CPC) contained in the original 1995 OAA Part II.⁷ Despite the extensive nature of this task or assignment, the ESC was able to cooperate with all APEC working groups to finish the updating on time, and the updated OAA Part II was submitted to the Ministerial Meeting for endorsement in Shanghai in October 2001.⁸

(b) The Introduction of ECOTECH Action Plan (EPA)

One policy instrument that captures the spirit of TILF in APEC is the annual submission of Individual Action Plan (IAP) by each APEC member. Following the guidelines given in Part I of the OAA, the first TILF-IAP was introduced in 1996. In short, a TILF-IAP is a policy document specifying how an economy proposes to liberalise its trade and investment, and engage in other trade and investment facilitation measures. But while this TILF-IAP can be looked upon as an excellent manifestation of APEC voluntarism and unilateral liberalisation, there is no similar or equivalent undertaking on the ECOTECH side. This point was raised during the second ESC meeting in Brunei in May 2000, but no serious follow up was taken. In November 2000, however, APEC Ministers called for a more focused and intensified action ECOTECH agenda, and instructed officials to consider the possibility of establishing

⁷ In 2001, one working group, the Trade and Investment Database Working Group was already disbanded. Two new working groups, the Agricultural Technology Cooperation Working Group (ATCWG) and the Small and Medium Enterprises Working Group (SMEWG) were set up from the Agricultural Technical Cooperation Experts' Group and the Policy Level Group on Small and Medium Enterprises, respectively. A new Group on Economic Infrastructure (GEI) was established in 2000 as a sub-forum under the ESC to take care of infrastructure issues.

⁸ One of the reasons for this success in the ESC-Working Groups cooperation was the establishment of a new procedure whereby member economies were asked to volunteer to liaise closely with selected working groups to see to it that the updating is finished on time. There is always great sensitivity among working groups on the ways each carries out its work. This procedure of ESC members "latching on" to the work of working groups could be construed as an interference, unless all working groups could be assured that the ESC does not wish to establish another layer of control over the work of working groups. Trust must be established that the ESC is simply doing its assigned job of coordinating ECOTECH work within APEC or among all APEC fora.

individual action plans on ECOTECH.⁹ . This was the beginning of this major ECOTECH achievement in 2001

The debate on the possibility of establishing an ECOTECH-IAP started in the first 2001 ESC meeting in Beijing in February 2001. There were many sceptical members who questioned the idea of ECOTECH-IAPs on the ground of duplication of the ECOTECH Clearing House activities just introduced in 2000, on the non-quantifiability of the ECOTECH-IAP outcomes, on the guise of this ECOTECH-IAP for development assistance, and so on.¹⁰ During the second meeting of the ESC in Shenzhen in May 2001 there were some examples and templates of these ECOTECH-IAPs proposed by some economies, but scepticism still remained very strong. Eventually, however, cooperative spirit among members prevailed and a compromise was reached for an introduction this 'ECOTECH Action Plan (EAP)' by members on a voluntary basis for an experimental period of two years. To help members in this new undertaking, this EAP would be limited to the areas of human resources development only. By SOM III in Dalian, China, nine economies had submitted their EAPs, with the possibility of many more offering to show their EAPs later. At the APEC Ministers Meeting in Shanghai in October 2001, eight more economies had submitted their EAPs. These EAPs represent past, present, and future commitments of some members on the issues of human resources development and human capacity building. Some of these plans could provide best practices for other members to replicate or emulate as a mean to improve human capacity of members in the region.

(c) The Launch of Human Capacity Building Strategy Report

The Ministerial Meeting in Brunei in 2000 also instructed that a Human Capacity Building Coordination Group (HCBCG) be created to explore the possibility of drafting a strategy report on human capacity building for APEC on an annual basis. This was part of the continuation of the initiatives conceived by Brunei to increase human capacity and promote human resources development in the APEC region. The ESC was asked to be responsible for this coordination duty. During the First SOM in Beijing, therefore, the ESC prepared to take on the assignment. But since the subject of human capacity building was very wide and all-encompassing, it requested SOM to limit the scope of the report to cover only the human capacity building in the New Economy, which was also the subject the Economic Committee was asked to

⁹ However, main credit should be given to Mr. Kono Yohei, then Foreign Minister of Japan who suggested the idea at the Ministerial Meeting, which was later agreed by all ministers.

¹⁰ For discussion on these debating points, see Medhi (2000a).

study.¹¹ The HCBCG worked closed with related APEC fora such as the HRDWG and the ISTWG, the Economic Committee, and the High Level Meeting on Human Capacity Building jointly organised by Brunei and China in Beijing in early 2001. The Draft Strategy Report was submitted to APEC members to discuss throughout SOM II, SOM III, and between sessions before Informal SOM in October, 2001. But due to complexities of issues, members could not reach agreement on its Final Report in time for the submission to the Ministerial Meeting in Shanghai in October 2001. It was, however, completed before the first meeting of SOM in Mexico City in February 2002.¹²

In brief, this Report recognises the importance of education and skill training to attain knowledge on information and communication technology that will change 'digital divide' to 'digital opportunities' in the New Economy. To do this, five areas of human capacity building were selected as goals or objectives for achievement. They are:

- (1) Build people's capability through education and skill training particularly distance and life-long learning based on tripartite engagements among the government, the private business, and the academe;
- (2) Increased human capacity through education and skill training will also lead to the achievement of regional development and the reducing in poverty;
- (3) This new development must take place within the environment of equity with regard to gender, ethnic minority, age, health status, and generational differences;
- (4) Private sector and private enterprises, large and small, must be engaged to play an active part in this endeavour; and
- (5) The combined efforts will also lead to well-functioned labour markets, which will contribute to further success of the efforts.

3. Forthcoming Changes and Expectations

It is obvious from the above that, in the past two years, several changes have taken place with respect to ECOTECH agendas and the ways these agendas have been pursued in the APEC process.

¹¹ Ambassador Elard Escala, Vice Chair of the ESC, was asked to chair this Coordination Group.

¹² However, by SOM I in Mexico City in February 2002, the HCBCG had completed its task. In the discussion at the ESC I, members decided that it was appropriate to submit the Strategy Report to SOM for endorsement, but without the attachment on possible implementation activities as that was considered to go beyond the mandate of the Ministers. The attachment, however, would remain as an informal document for consideration by relevant for a during the implementation phase of the strategy.

As alluded to in the introduction, ECOTECH has come a long way since its rough beginning in 1997. Not only that the interest and attention toward ECOTECH issues in APEC are now on par with TILF issues and activities, it is possible that ECOTECH may actually sustain the viability of APEC from now until the end of the second decade of its existence when the first deadline of the Bogor goals is reached. How is this possible? For one thing, the original expectation of a continuous reduction in tariff and non-tariff barriers among APEC members toward Bogor goals may not be forthcoming owing to difficulties in domestic economic situations in many member economies. More time and more complex economic and political adjustments may be needed for future freer trade and investment in the APEC region. But the Bogor goals are still plausible and feasible if members realise that they need greater and more intensive economic and technical cooperation to push all members to freer trade and investment 10 to 20 years from now. Accepting the fact that the progress towards the Bogor goals may not come in a linear fashion, but the possibility that members may succeed in dropping all these trade and investment barriers nearer to the deadline if and when their general economic development become more sustained, and members are willing to help share their experiences and best practices with one another, help and share the concerns of development problems with one another, and so on, ECOTECH could effectively push APEC toward its Bogor goals. The followings are some the changes and expectation in ECOTECH matters that could serve to achieve this noble objective.

Many independent observers have commented on the difficulties in the ways ECOTECH agendas or objectives could be set to work. The APEC International Assessment Network or APIAN, a group of academic people who bind together to track and assess the design and execution of APEC initiatives, for example, stated that "ECOTECH still suffers from some shortcomings, such as the excessive diffusion of limited ECOTECH resources, a lack of coordination around defined APEC objectives, and inadequate funding".¹³ Although there are several improvements in the ways the ESC has helped SOM conduct its ECOTECH agendas, more could be achieved by the realisation of these measures.

During 2000 and 2001, I myself in my capacity as Chair of the ESC, had suggested formally (that is in the ESC meetings) as well as informally (that is through various papers I have written in my personal capacity) about the change and improvement in the role of the ESC in its handling of the ECOTECH matters (see, for example, Medhi 2000, 2001a, and 2001b). But I have realised that in a consensus-based organisation such as APEC (and also its fora such as the ESC), more concerted efforts among members are needed to

¹³ APIAN (2000), 'Learning from Experience', the First APIAN Policy Report, November 2000.

bring in those changes and improvements. During the ESC III meeting in Dalian, China in August 2001, the discussion on the role and mandate of the ESC in its handling of the ECOTECH matters had come up again. This time I realised that there must be a group effort in drafting a position or review paper on the role and mandate of the ESC before any concrete change or improvement could take place, so I asked New Zealand to undertake the study of the role and mandate of the ESC in cooperation with interested members.¹⁴

In the excellent report that New Zealand has prepared, six pertinent questions concerning the past and present roles of ECOTECH and the ESC were asked, and some answers to these questions were discussed. These questions and answers came from the review of past records of ECOTECH activities by the New Zealand Study Team, and the opinions and comments from interested ESC members. These six questions that the New Zealand Report poses are:

1. What is the ESC's current role and mandate?
2. Why was the ESC given that role and mandate?
3. What further instructions have there been to the ESC from Leaders, Ministers and SOM since its establishment in 1998?
4. What changes in the APEC environment have there been since the ESC's establishment in 1998?
5. What are the achievements of the ESC in relation to the expressed objectives, and what are the problems/obstacles faced?
6. Is there anything in (or not in) the ESC's mandate which restricts its activity in areas where it may be desirable for the ESC to have a role?

The answers given in the New Zealand Report could be summarised as follows:

(a) On the current role and mandate of the ESC

The Report had made substantial reference to the Terms of Reference as agreed by SOM in Penang in February 1998 in regard to

¹⁴ The main reason I decided to ask New Zealand to volunteer to do this was that New Zealand had just succeeded in undertaking the ECOTECH Clearing House project where all information relating to ECOTECH projects in APEC were electronically archived for easy use and references. Among APEC members, it probably had the greatest and most recent experience in ECOTECH matters. I also appreciated the position of New Zealand that, despite its early reservation (one could even say objection) to the ECOTECH Action Plan (EAP) idea, it had become one of the first batch of members who submitted their EAPs.

the role and mandate of the ESC. In summary, the ESC's over-arching role is to assist the SOM in coordinating and managing APEC's ECOTECH agenda. The particular types of activity envisaged include:

- **examine** and **review** ECOTECH activity underway or completed
- **identify** possible ECOTECH initiatives which could be undertaken in the future
- **consult** with various APEC fora and the private sector on how to integrate effort and strengthen and streamline ECOTECH work
- **encourage** participation of the private sector
- **evaluate** proposals to include new ECOTECH themes in the 1996 *Framework*
- **report** to SOM on any of the matters above, and **recommend** appropriate action
- **undertake** ECOTECH-related tasks as directed by Senior Officials

From the above account, it may be seen that the ESC's mandate is very wide; there is virtually no limit to the extent to which it can consider, analyse, and report on ECOTECH issues. The ESC can interact with all APEC fora, including committees and working groups. But while the mandate may be very wide, the power or authority of the ESC may be limited. The ESC's role is to *assist* (italic in the original) the SOM in the management and coordination of the ECOTECH agenda; it is not the ESC's role to manage and coordinate ECOTECH in its own right. (In a similar way, other fora such as the CTI and EC revert to SOM on important issues.) Rather than articulating a narrow list of actions for the ESC, the purpose of the mandate seems to be to ensure that SOM is provided with appropriate recommendations on a very wide field of ECOTECH issues.¹⁵

(b) On the reasons the ESC was given its role and mandate

The New Zealand Report referred to the decision of the SOM to establish the ESC in 1997. It was not clear from the report how the decision was made to establish this new APEC forum as a subcommittee attached to the SOM rather than a committee similar to the CTI, although it did report the suggestion by the Canadian SOM Chair in his paper entitled "Implementation of APEC's Economic and Technical Cooperation Agenda", which outlined steps taken to improve the coordination of the ECOTECH agenda, tabled at

¹⁵ It seems that the New Zealand has interpreted a somewhat restrained role for the ESC in the context of overall function of APEC organisations. If this interpretation is correct, it could explain why New Zealand had a somewhat reserved position regarding the ESC support for the launch of the EAPs in 2001.

SOM III which included 3 options for the management of such an agenda. These 3 options were:

- SOM could continue as the coordinating body using a more “hands-on” approach;
- the SOM Committee of the Whole (COW) could continue to review ECOTECH issues on an annual basis; and
- an ECOTECH Committee (ETC) could be created.

After reviewing these options, “SOM agreed that while consensus had not yet been reached, there had been a favourable evolution of opinion ... towards a concrete mechanism for coordination, possibly through the establishment of an ETC”. Nevertheless, an agreement was reached that, instead of this new APEC forum to help SOM manage ECOTECH agenda being set up as an ECOTECH Committee (ETC), it would be set up as a subcommittee attached to the SOM, and would be called SOM Subcommittee for Economic and Technical Cooperation or ESC.¹⁶ The Terms of Reference of the ESC which was drawn up later was very much based on this compromise.

(c) On further instructions to the ESC since its establishment in 1998

The New Zealand Report went back to the resolutions from various ministerial and leaders meetings to see if there were specific instructions to the ESC. For example, it referred to the 1998 Leaders’ instruction to Ministers to give further focus to strengthen coordination in ECOTECH activities and intensify work in the priority areas. In 1999, it reported the Leaders’ decision to direct Ministers to give special attention to improving effective and coordinated delivery of APEC’s ECOTECH and capacity building programs. In the 2000 APEC Summit in Brunei, the Report pointed out the Leaders’ direction to the Ministers to call for a more focused and intensified ECOTECH action agenda. And finally, in Shanghai in 2001, the Report mentioned the Leaders’ recognition of the importance of substantially enhancing the profile of ECOTECH and improving the coordination and management of ECOTECH activities in all fora. The reference to the Management Review of APEC in 2001 pointed out the need to streamline the APEC process and make it more focused and effective, in light of an increasing number of APEC fora and meetings/events. In

¹⁶ I have mentioned in my other paper (Medhi 2000) that some developed economies members objected to the creation of this special APEC forum to coordinate the ECOTECH work on the reasoning that such creation might dilute the importance of TILF which was the primary objectives of APEC and might turn APEC into a mutual aid-giving and aid-receiving organisation, while some developing economies members insisted that this special forum to coordinate ECOTECH activities was needed as an important objective of APEC was economic and technical cooperation, not aid-related developmental activities. Therefore, a committee equivalent in structure with the CTI was necessary. In the end, however, a compromise was reached whereby this forum was set up, not as a committee like the CTI or the Economic Committee (EC), but as a sub-committee attached to the SOM.

all, the Report suggested that all of the above references were consistent with the ESC's Terms of Reference as originally drafted. The instructions from Leaders and Ministers disclosed an ongoing concern with the *coordination and quality* (italic in the original) of APEC's ECOTECH work. The ESC's mandate was specifically designed to address these issues. The comments suggested a need to *implement* (italic in the original) the ESC's mandate, not change it.

(d) On changes in the APEC environment since the ESC's establishment in 1998?

The New Zealand Report mentioned several changes in the environment surrounding the work of the ESC in the last four years of its existence: the success of establishment of the Doha Round of multilateral trading negotiations; the need for greater relationship between TILF and ECOTECH activities; the trend for greater openness and wider participation in APEC's work from outside organisations; and the importance of other cross-cutting issues such as human capacity building, the New Economy, and gender integration. However, while the importance of ECOTECH seems to increase with time, it appears that the direction for the improvement of ECOTECH activities within the APEC process itself was quite vague.¹⁷

(e) On the achievements of the ESC in relation to the expressed objectives, and the problems or obstacles faced?

While the New Zealand Report listed several of the achievements of the ESC in a separate annex, some of which I have alluded to in the early part of this paper, it has recognised many difficulties and obstacles that stood in a way of fulfilling its functions, and one of these difficulties was the lack of authority or status on the part of the ESC. However, the Report kept coming back to the strict interpretation of the TOR of the ESC that its primary role is to assist SOM in its management of the ECOTECH agenda, not to manage it on its own account. Accepting the fact that if the ESC has only recommendatory (rather than decision making) role, the effective management of ECOTECH agenda would be impeded, the Report tried to point out if the ESC were to be given the status of a committee, its function would be limited to the management of Part II of the OAA only, whereas the ECOTECH activities related to Part I of the OAA would expressly fall under the jurisdiction of the CTI. This, in the opinion of the New Zealand Report, seems to be inferior to the current status and position of the ESC as a subcommittee attached to the SOM because SOM would have power and authority to enable the ESC to maintain a

¹⁷ On the future direction of ECOTECH activities, I have argued that those involved in the APEC process at all levels were not sure of what that direction should be. A more urgent issue was not a way to move forward but a way to move out of the problems facing the nature of the ECOTECH work. See my paper Medhi (2000).

very broad oversight of all ECOTECH activity, including the ECOTECH aspects of projects being carried out by CTI sub-fora under Part 1 of the OAA. In short, the ESC does not have to change its mandate to consider issues such as the most effective institutional structure for advancing ECOTECH.

On the restrictions of the current mandate for the role of the ESC, the Report had discussed several issues that might restrict the current role and functions of the ESC. For example, on the organisation of the ECOTECH agenda, the Report recognised the multiplicity of fora, initiatives and priorities which make it difficult to have a measurable impact on public well-being. It even quoted a passage in the Second APIAN Policy Report that the vast lists of ideas, goals and projects loosely grouped under the ECOTECH umbrella need to be reviewed and reduced to a more manageable set of coherent programs. The Report suggested that it might be possible to establish a shorter list of priorities for APEC funding, and to direct scarce resources to those issues.

(f) On strengthening outreach and engagement with other organisations

The Report referred to the endorsement of Ministers and Senior Officials to the APEC Secretariat's communications strategy to guide future communication and outreach efforts. It also referred to the Ministerial Statement made in Shanghai in 2001 where it recognised the need for APEC to interact with bilateral, regional, and international organisations and financial institutions with a view to fostering cooperation, broadening support and leveraging financial resources to boost ECOTECH activities. There is no conflict on this line of activities with the original TOR, as Paragraph 5 of the ESC's TOR states that the ESC will "encourage active participation of the private sector in the activities of economic and technical cooperation".

The New Zealand Report had made a brief reference to the APEC project cycle, that is to say how APEC projects are being submitted, approved, managed and evaluated. On this point, the ESC has no direct involvement with this project cycle, from early inception to final evaluation. Although it was the ESC which designed and suggested the use of the ECOTECH Weighting Matrix, a kind of tool that ranks worthiness of a project on economic and technical cooperation aspects, the ESC has no part in the implementation and enforcement of this tool. Because of this lack of direct involvement in the cycle of ECOTECH projects, it was argued that it is difficult for the ESC to provide leadership on ECOTECH. What makes this more complicated is that the Japanese has already provided a large sum of research funds to APEC for use in the TILF

areas which were overseen by the CTI. ECOTECH projects are not eligible to use this fund.¹⁸

The intra-APEC relationship between the ESC and other APEC fora was also discussed in this section. It has been observed that, since the inception of APEC, APEC Working Groups operate relatively independently from policy oversight of SOM, Ministerial Meeting and Leaders' Meeting. The only time that Lead Shepherds of Working Groups meet face to face with SOM leaders is during Joint Fora Meeting which usually takes place after SOM I. But even on this occasion, some Lead Shepherds may decide not to join. The sensitivity of the independence of Working Group was so pervasive that it is difficult even to raise the issue whether the ESC Chair should have the right to attend a Working Group meeting without asking for a prior permission, let alone any indication of oversight or control by the ESC.

Not counting the Budget and Management Committee (BMC) which is very much an accounting unit for project approval in APEC, the three APEC fora, namely the CTI, the ESC, and the EC, are more or less of equal rank and stature, but the intra-APEC relationship between the three was almost non-existent. In fact, meetings of all three fora during the three SOMs take place on the same days and at the same times. There is no way that the chair of each forum could attend the meetings in other fora (except of course that he or she has asked someone to chair the meeting for him or her). Although the Leaders in Shanghai had said that TILF and ECOTECH should be mutually reinforcing, there is yet any plan that this intra-APEC relationship among APEC fora could take place any time soon.

Finally on the issue of the profile of the ESC as a subcommittee or a committee, there was a subtle difference between Version 1 and Version 2 of the New Zealand Report. It seems to me that Version 1 of the Report had shown an inclination to support the status quo, that is keeping the current status of the ESC as a subcommittee, whereas in Version 2, this support for the status quo was not as clear. Perhaps the Report has received strong comments from some members who are really in favour of changing the ESC to the ETC or ECOTECH Committee. The resolution of the ESC meeting in Mexico City in February 2002 on this issue was for the ESC to continue to debate in its subsequent meetings until a consensus or a compromise is reached.

4. Comments on the Recommendations of the Report

¹⁸ In 2000, the Japanese government was considering changing this rule where the so-called TILF Fund could also be used on ECOTECH projects. However, lack of final agreement between the two administrative organisations representing Japan (the Ministry of Foreign Affairs and the Ministry of International Trade and Industries (MITI) had prevented such change of rule to take place.

After taking into accounts all the written comments from members, the New Zealand Report makes the following recommendations:

On Defining ECOTECH

Point no. 1: “ECOTECH” for the purposes of the ESC’s work should be taken to mean all economic and technical cooperation work undertaken under the APEC umbrella, rather than only that work which flows from Part 2 of the Osaka Action Agenda which is generally funded by the Operational Account

Point no. 2: Consideration should be given to including emerging cross-cutting themes (such as human capacity building, new economy and gender integration) as priority areas within the *Framework for Strengthening Economic Cooperation and Development*

Point no. 3: In order to seek a more focused and results-oriented ECOTECH program, APEC should earmark resources to a shorter list of strategic priorities, drawing from the overall categories of ECOTECH activity set by Leaders and Ministers (the four goals, the six themes, the four principles, the thirteen areas from the OAA Part 2; the fifteen areas from OAA Part 1, the five key initiatives)

On Integrating ECOTECH

Point no. 4: The ESC should examine options for furthering the mutual reinforcement of ECOTECH and TILF, for example by:

- (a) removing the formal separation of activities by funding source (operational account or TILF account)
- (b) formal consultations between the ESC and CTI with a view to distilling a common set of capacity building/technical cooperation objectives

On Coordinating ECOTECH

Point no. 5: Consideration should be given to whether the ESC should have direct oversight responsibilities in the process through which projects are conceived, developed and approved, for example by:

- (a) endorsing/ranking working group project proposals (under OAA Part 2) before submission to the BMC (such endorsement could be by way of assessment against the *Guidance on Strengthening the Management of APEC ECOTECH Activities* and/or the ECOTECH Weightings Matrix)

- (b) having the ESC Chair attending BMC

Point no. 6: Consideration should be given to whether the ESC should work more closely with other APEC fora on ECOTECH issues, for example by:

- (a) having working groups report directly to the ESC
- (b) having ESC members 'adopt' a working group to follow, either by attending meetings and/or receiving the communications of that group
- (c) formal consultations between the ESC and CTI
- (d) reviewing the reporting requirements of fora, including ways to increase the level of feedback to fora on how reporting is used and reduce the compliance burden (for example by rationalising reporting requirements and making better use of information collected)

Point no. 7: The ECOTECH Sub-Committee should be renamed the ECOTECH Committee (ETC) with a mandate substantially the same as the current mandate of the ESC.

My comments on the above recommendations are as follows:

On Point no. 1: I agree that ECOTECH should mean all activities that flow from both Part I and II of the OAA, and not just from Part II only as the dividing part may seem to suggest. But to interpret ECOTECH in this way has by no means assumed that the ESC must remain a special subcommittee attached to the SOM to be able to undertake this role to assist SOM in carrying out its duties.

On Point no. 2: Constant awareness and consideration on cross-cutting issues are fine but must be weighed against the net benefits and costs of such efforts. For example, while the awareness and concern for gender integration in APEC should be supported in general, the practice of splitting everything along the line of gender may be counter-productive as not every issue has critical gender implications. Emphases on too many cross-cutting issues could also be similarly costly. On this score, the ESC has made a smart move to choose only human capacity building as its only subject of focus for its first foray into ECOTECH individual action plan, as it was pointed out earlier.

On Point no. 3: The shorter list of strategic priorities could be supported along the line of argument above. There are no iron-clad reasons that ECOTECH must always contain the six themes in the Manila Framework. Efficiency and practicality should be a better guide of selecting priority for policy action.

On Point no. 4: The idea of formal consultation between the ESC and the CTI with a view to distilling a common set of capacity

building/technical cooperation objectives is excellent. And that should include the same between the ESC and the EC as well.¹⁹

On Point no. 5: I strongly support the suggestion of the ESC having direct oversight responsibilities in the process through which projects are conceived, developed and approved. This should also extend beyond the realm of APEC project cycle into the operations of Working Groups as well. Not only that the ESC Chair be invited to sit with the BMC as a full deliberating and decision-making member, the same invitation should be extended to the CTI and EC Chairs as well.

On Point no. 6: The response has been made in Point no. 5 above regarding the new relationship between the ESC and the Working Groups. Care must be taken in not trying to institute additional layers of administrative duties but to create a more coordinated working relations.

On Point no. 7: The SOM could continue to have its special relationship with regards to the ESC role and mandate, but the rationale behind the agreement to establish the ESC as a subcommittee is no longer valid in today's environment. The change of the ESC to the ETC is a major institutional change that will enhance the position and importance of ECOTECH in particular, and of APEC in general. The new organisation structure of APEC process with the ESC being changed to the ETC is shown in Chart 1.

5. Summary, Conclusions, and Future Prospects for ECOTECH

In this paper I have tried to recount the recent developments and successes of ECOTECH in carrying out its coordination, dissemination, and participation functions. It was pointed out that, in addition to the general survey of completed ECOTECH projects, the ESC (mainly through designated officers of the APEC Secretariat) also conducted the follow-up of such ECOTECH initiatives as the Agenda for Science and Technology Industry Cooperation, the Kuala Lumpur Action Program on Skills Development, and the progress on the implementation of the APEC Food System. But none of these activities could match the three most outstanding ECOTECH accomplishments this year: the updating of Part II of the OAA; the introduction of ECOTECH Action Plans (EAPs) on human resources development; and the launch of the first Human Capacity Building Strategy Report. This had enhanced the posture of ECOTECH in the APEC process so much that the new analogy for ECOTECH is the second wheel of the APEC bicycle, not the third pillar of the APEC structure. Further changes, however, are expected on ECOTECH to enable it to sustain the viability of APEC in the future. Changes such as the

¹⁹ Although I should report that I have heard some suggestion concerning the merging of the EC with the ESC once the ESC has taken the form of the ETC.

upgrading of the ESC from a subcommittee to a committee, the strengthening of the APEC Secretariat to perform larger evaluation and analytical duties, or the engagement of outside experts to do the same, or greater participation with outside organisations, are recommended for the improvement of the role of ECOTECH for future success of APEC.

After intense activities on ECOTECH by the ESC in 2001 which have brought about much success in its outcomes as referred to above, the mood of the ESC has become a little sombre in 2002. The debate on the role and mandate of the ESC during SOM I and SOM II perhaps acted as a brake to the rapid movement or motion of the ESC in the previous two years. The cautious approach on the future of ECOTECH and the ESC may be necessary if APEC members were to be satisfied with an appropriate function of this regional grouping. But too much caution could have rekindled historical fear that developed members in APEC are not really interested in ECOTECH because their main concerns are more on trade liberalisation, and the debate and exchange of views within the ESC and SOM meetings simply serve to underscore the wish to play down the present and future role of ECOTECH and the ESC. It is regrettable if this is true.

Other observers have been more forthright than myself on the future role and mandate of the ESC shown here in this paper. Andrew Elek (2002), for example, went straight to the point and said that the ESC of the SOM needs to be given the unambiguous responsibility, combined with the necessary authority, to respond to objectives set by the APEC leaders. To achieve this, Elek suggests that the ESC needs to be redefined as a full committee of APEC to be called an ECOTECH Committee or ETCC, with broad authority to shape the work of APEC on matter rather than TILF. To him, the ETCC would facilitate the work of Task Force set up to implement new APEC objectives such as region-wide access to information and communications technology (ICT) in addition to coordinating the general ECOTECH activities of working groups such as HRD. Of course, Elek has realised the sensitivity and complexity of the new relationship between the new ETCC and the existing structures of APEC fora, and has discussed about several options on how to cope with these issues. But obviously Elek's vision has gone beyond this organisational issue into more substantive future ECOTECH activities (of which achieving complete internet access among APEC members by the year 2010 is one).

As the deadline of the Bogor goals is nearing, concerns have been expressed around the APEC fora that if the momentum of trade and investment liberalisation is slackening, the future promise of APEC could be jeopardised. It is not uncommon, therefore, to see some

APEC members pressing for greater and faster commitments toward free trade and investment among APEC members. While all APEC members are proponents of freer trade and investment, the level of economic development of all members are not the same. Therefore, it is difficult to observe exactly the same rules and same timetables for free trade and investment. This is why ECOTECH is of critical importance because it can help accelerate the development of members; it can share development practices across members; more developed members can help less developed members through technical or financial assistance; and so on. APEC is a unique international organisation or association based on voluntarism and unilateral liberalisation. The success of APEC cannot be measured by how many trade agreements have been concluded and enforced, but on how committed members are on working together toward the Bogor goals, on willingness to help one another, on sincere wishes for greater participation from people or organisations outside the APEC official circle. These are within the realm of interest of ECOTECH in APEC, and as such, ECOTECH is truly the wheel that drives APEC now and in the future.

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ANNEX: TERMS OF REFERENCE OF THE SOM SUB-COMMITTEE FOR ECONOMIC AND TECHNICAL COOPERATION

A BACKGROUND

1. SOM has been mandated by Leaders to mandate and coordinate the APEC Economic and Technical Cooperation (ECOTECH) agenda. In Vancouver, Ministers have committed to further strengthen economic and technical cooperation in APEC by fully implementing *the Framework for Strengthening Economic Cooperation and Development*, which was agreed in Manila. In this connection, Ministers endorsed the proposal by Senior Officials to establish a SOM Sub-Committee for Economic and Technical Cooperation.
2. The SOM Sub-Committee will assist the SOM in coordinating and managing APEC's ECOTECH agenda, as well as identifying value-added initiatives for cooperative action.

B OBJECTIVES

3. The main objective of the SOM Sub-Committee is to advance more effective implementation of the APEC's ECOTECH agenda by consulting with and integrating the efforts of various APEC fora through a results-oriented, outcomes-based approach which benefits all member economies; providing a policy management tool for strengthening and streamlining APEC's work; and providing guidance on possible actions which could be undertaken to achieve APEC ECOTECH goals, namely:
 - ☐ To attain sustainable growth and equitable development in the Asia-Pacific region;
 - ☐ To reduce economic disparities among APEC economies;
 - ☐ To improve the economic and social well-being of the people; and
 - ☐ To deepen the spirit of community in the Asia-Pacific.
4. The pursuit of the ECOTECH goals through concrete projects will take into consideration members' diverse and complementary capabilities and guided by the principles of :
 - ☐ Mutual respect and equality;
 - ☐ Mutual benefit and assistance;
 - ☐ Constructive and genuine partnership; and
 - ☐ Consensus building.

5. The SOM Sub-Committee will serve as a forum to discuss, formulate as well as coordinate action oriented integrated strategies in consultation with existing APEC groups and the business community, as necessary to implement the *APEC Framework for Strengthening Economic Cooperation and Development* which has identified the following six priority themes:

- Develop human capital
- Develop stable, safe and efficient capital markets
- Strengthen economic infrastructure
- Harness technologies for the future
- Safeguard the quality of life through environmentally sound growth
- Develop and strengthen the dynamism of SMEs

C Activities

5. The SOM Sub-Committee will :

- Report to SOM on its proposed work program and assist the SOM to effectively implement the *1996 Framework for Strengthening Economic Cooperation and Development*. In so doing, the SOM Sub-Committee shall ensure that all the elements of the Framework are developed.
- Review progress of APEC activities towards achieving APEC ECOTECH goals.
- Identify and recommend for Senior Officials consideration specific issues and value added initiatives to assist the achievement of ECOTECH goals taking into account the economic situation, requirements and capacities of all member economies.
- Examine and evaluate ECOTECH programs and activities and recommend to Senior Officials means to achieve visible, targeted and result-oriented deliverables to address member economies priorities.
- Assist the SOM to improve the management and coordination of ECOTECH activities among APEC fora, including APEC working groups and policy level committees, with a view to improving the identification and coordination of new cross-cutting issues.
- Evaluate proposals to include new priority areas within the *Framework for Strengthening Economic Cooperation and Development*.
- Encourage active participation of the private sector in the activities of economic and technical cooperation. Consider

the recommendations of ABAC regarding the process of economic and technical cooperation in APEC.

- Undertake ECOTECH-related tasks as directed by Senior Officials.

D ORGANIZATION AND OPERATION

6. A Chairperson will be appointed who will be devoted to meeting the objectives of the SOM Sub-Committee.
7. A Vice-Chairperson(s) will be appointed to assist the Chair in managing the tasks and work program of the SOM Sub-Committee.
8. The Chairperson and Vice Chairperson(s) will serve for a term of two years.
9. Membership of the SOM Sub-Committee will be open to all economies.
10. The SOM Sub-Committee shall meet regularly.
11. The SOM Sub-Committee would report regularly to the SOM.
12. The operation and effectiveness of the SOM Sub-Committee will be reviewed at the end of a 2-year term.

